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DEMAND and PRICE SITUATION

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In this issue:
The Agricultural Act
of 1956



Approved by the Outlook and Situation Board, June 19, 1956

SUMMARY

Prices received by farmers in mid-May averaged 9 percent above the low point of last December and were at about the same level as May 1955. This is the first month in almost 4 years that prices have not been below a year earlier. Farmers' cash receipts have reflected the rise in prices and in May were tentatively estimated at about one percent above a year earlier.

Prices of both crops and livestock on the average have shown steady improvement since early this year. Seasonally smaller marketings of some commodities, particularly hogs, small supplies outside of CCC stocks of some price-supported commodities, and stronger foreign demand for others, have been responsible for the price recovery. Prices paid by farmers (the parity index) have been trending upward at a slower pace. Consequently, the parity ratio, the ratio of prices received to prices paid, has risen significantly--up 6 percent since mid-December and is now 1 percent below May of last year.

During May, none of the various crosscurrents in economic activity developed sufficient strength to move the economy either upward or downward from its position of stability. In the automobile

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ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1955		1956				
		Year	May	Feb.	Mar.	Apr.	May	
Industrial production ^{1/}								
Total.....	1947-49=100	139	138	143	141	143	142	
All manufactures.....	do.	140	140	144	142	144	143	
Durable goods.....	do.	155	153	158	156	160	158	
Nondurable goods.....	do.	126	127	130	127	129	129	
Minerals.....	do.	122	121	130	130	129	129	
Total outlay for new construc- tion ^{2/}	Million dollars	42,250	3,581	3,454	3,551	3,617	3,632	
Residential.....	do.	16,600	1,419	1,265	1,263	1,267	1,250	
Total civilian employment ^{3/}	Million	63.2	62.7	62.6	63.1	64.0	65.0	
Nonagricultural.....	do.	56.5	55.7	57.1	57.4	57.6	58.1	
Unemployment.....	do.	2.7	2.5	2.9	2.8	2.6	2.6	
Income:								
Nonagricultural payments ^{2/4/} #...	Bil. dol.	288.4	286.6	299.0	301.1	302.5		
Production-worker payrolls ^{5/} #...	1947-49=100	152.9	150.1	157.9	157.9	158.2	155.5	
Weekly earnings of production- workers in manufacturing ^{5/}	Dollars	76.52	76.30	78.17	78.78	78.99	78.40	
Durable.....	do.	83.21	82.78	84.05	84.46	85.49	84.45	
Nondurable.....	do.	68.06	67.32	69.65	70.49	70.17	70.38	
Prices:								
Wholesale prices, all com- modities ^{5/}	1947-49=100	111	110	112	113	114	114	
Commodities other than farm and food.....	do.	117	116	121	121	122	122	
Farm.....	do.	90	91	86	87	88	91	
Food, processed.....	do.	102	102	99	99	100	102	
Prices received by farmers ^{6/} #...	1910-14=100	137	244	226	228	235	242	
Crops.....	do.	238	255	231	236	245	252	
Livestock and products.....	do.	237	234	220	221	227	233	
Prices paid, interest, taxes and wage rates ^{6/}	1910-14=100	281	282	280	282	284	286	
Items used in living.....	do.	273	274	272	274	274	278	
Items used in production.....	do.	250	251	245	246	248	250	
Parity ratio.....		84	87	81	81	83	85	
Consumer price index ^{5/}	1947-49=100	114	114	115	115	115		
Food.....	do.	111	111	109	109	110		
Government purchases of goods and services ^{2/ 7/} #.....	Billion dollars	75.9			77.4			
Federal (less Government sales)..<	do.	45.8			45.7			
State and local.....	do.	30.1			31.7			

Annual data for the years 1929, 1932 and 1939-55 appear on page 39 of the April 1956 issue of The Demand and Price Situation.

^{1/} Federal Reserve Board.

^{2/} U. S. Department of Commerce.

^{3/} Bureau of the Census.

^{4/} Monthly totals seasonally adjusted at annual rates.

^{5/} U. S. Department of Labor, Bureau of Labor Statistics.

^{6/} U. S. Department of Agriculture, Agricultural Marketing Service.

^{7/} Quarterly totals seasonally adjusted at annual rates.

Revised series.

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industry, retail sales, employment, and production have continued downward; however, expanding activity in other sectors has largely offset these losses. Total retail sales increased slightly in May after seasonal adjustment. Employment rose more than seasonally in May but unemployment failed to show the usual decline because of the increase in labor force. After a 2 point rise in April, the index of industrial production was down a point to 142 (1947-49=100) in May. Steel mills continued to operate near capacity as the June 30 expiration date of the present wage contract approached.

With the notable exception of automobiles, consumer demand for most goods and services has remained strong, supported by steadily rising income payments. Consumer income, seasonally adjusted, advanced to an all-time record in April. Larger wage and salary payments have resulted from higher hourly earnings, especially in manufacturing, and from expanding employment. Agricultural income also gained in April.

New and optimistic reports on business investment intentions have brightened prospects for economic activity later in the year. Purchases of plant and equipment in the second half of 1956 are now expected to rise still further from the advanced rate of the first six months. Manufacturing industries and railroads plan particularly large increases in investment. Surveys of investment intentions also indicate a high level of capital outlay continuing for the next several years.

Commodity Highlights

Cattle slaughter so far this year has run about 6 percent above last year, mainly because of large supplies of fed cattle. By mid-to late summer, hog slaughter may be down to the rate of a year earlier, and prices may be up to last year's prices.

Cash receipts from sales of dairy products are above 1955 and, for this year as a whole, will approach the record of 4.6 billion dollars reached in 1952.

Egg prices in early June, though at the season's low to date, remained above a year earlier. Prices have since begun to rise seasonally, and probably will continue above last year until late summer or early fall.

Flaxseed prices declined about 12 percent from mid-June, and in mid-month were slightly above the 1956 crop support level. A large increase in foreign supplies is in prospect for 1956-57.

A record carryover of about 43 million tons of feed grains is in prospect for 1956-57, a 10 percent increase over last year. With a near average growing season, this would mean another big supply of feed grains for the 1956-57 feeding year.

Wheat exports in May and June have been very heavy. The total exported in the year ending June 30, 1956 may be 330 million bushels. The carryover on July 1 will probably be about 1,030 million bushels, about the same as a year ago.

Supplies of early season deciduous fruits are large. Growers' prices for the larger supplies of early season peaches are likely to average below the unusually high prices of 1955.

Prices received by farmers for early summer vegetables are expected to average at least as high as those of a year earlier.

Fewer potatoes are expected to be available for market during the next two months, and prices are likely to average substantially higher than a year earlier.

Prices for middling 15/16 inch cotton have averaged around 35.50 cents per pound in recent weeks, or almost 2 cents more than a year ago. The higher price results from the large quantity of cotton withheld from the market under the CCC program.

Consumption of wool in 11 major consuming countries in the first quarter of this year is estimated to have been almost 10 percent above a year earlier.

About 15.4 million pounds of 1955 crop Maryland tobacco-- 43 percent of the crop--was marketed by mid-June. Auction prices averaged well above a year ago.

THE AGRICULTURAL ACT OF 1956

The Soil Bank;
Acreage Reserve

On May 28 the President signed the Agricultural Act of 1956. Under Title I of this law the Secretary of Agriculture is directed to formulate and execute a Soil Bank program in two parts. The first part--the Acreage Reserve Program--is applicable to growers of basic crops--wheat, rice, cotton, peanuts, corn produced in the commercial area, and most of the major types of tobacco. Payments will be made for voluntary reductions of acreages below acreage allotments (or base acreage in the case of corn). The program is to be effective with the 1956 crops and is to terminate with, but will include, the 1959 crops of these commodities. A farmer may enter into a contract with the Secretary of Agriculture to set aside a designated part of his allotted (or base) acreage into a "reserve acreage" from which no crop is to be harvested, and on which no livestock is to be grazed. The Secretary is directed to establish a national acreage reserve goal each year for each crop and to determine, through the county ASC committees, the limit of participation of each farm in a manner calculated to achieve the national goal.

Compensation to producers is to be at rates that will provide sufficient incentive for participants to achieve the national reserve acreage goal and such as to encourage producers to underplant their allotments for more than one year. This will take into consideration savings to the producer in not planting on the reserve acreage. The total amount of compensation paid in any year is limited to 750 million dollars.

The Soil Bank;
Conservation Reserve

Part two of the soil bank consists of a Conservation Reserve Program. Under this provision, farmers may contract with the Secretary of Agriculture for a minimum period of 3 years to remove designated cropland from cultivation and to devote it exclusively to forage, trees, water storage, or wildlife conserving uses. Participants must further agree to devote to soil conservation uses or allow to remain idle during the period of their contracts at least as much of the remaining land on their farms as they normally devoted to such uses. Compensation for acreage placed in the conservation reserve is to be in the form of annual payments equivalent to a reasonable return on the diverted land. In addition the Secretary of Agriculture will pay a share of the cost of establishing the conservation uses. Total payments under this program are limited to 450 million dollars a year.

Farmers may participate in either or both the acreage and conservation reserve programs. To qualify for soil bank payments, participants must comply with all allotments or base acreages established for their farms. Land placed in the acreage reserve in any year must be in addition to any land devoted to the conservation reserve. It is expected that these programs

will materially bolster farm income both directly through the soil bank payments authorized and indirectly through the buoyant effect on farm prices of reduction in output of farm commodities that are currently in surplus.

Corn and Other Feed Price Supports

The Act provides for a base acreage of 51 million acres for corn in the commercial area. Corn acreage allotments will not be in effect for the 1956 crops but producers who stayed within their acreage allotments will be eligible for full price support this year. Also, in order to be eligible for full price support, corn growers in the commercial area must devote tilled acreage equal to 15 percent of their base acreage to either of the two soil bank programs and to plant within their base acreage. Non-compliers in the commercial area will receive \$1.25 for 1956 corn as previously announced. Corn outside the commercial area will be supported at $82\frac{1}{2}$ percent of the rate in the commercial area and rye and the minor feed grains will be supported at 76 percent of parity. The Act further provides that if non-compliance corn is supported in 1957, support will be available for other feed grains at not less than 70 percent of parity.

Before the end of this year, producers will decide by referendum between base acreages for corn with price support levels to be determined by the Secretary or continuation of acreage allotments, with supports at 75 to 90 percent of parity, for 1957 and succeeding crop years.

Other Provisions

The Agricultural Act of 1956 also contains provisions for liberalized surplus disposal operations and for a surplus disposal administrator. Included are such items as an export sales program for cotton, authorization to appropriate an additional 500 million dollars per year to carry out domestic and foreign disposal operations under Section 32 of PL 320, an increase of 200 million dollars in funds available for foreign relief under Title II of PL 480, and provision for payment of ocean freight on donations under certain conditions.

Additional provisions cover minimum acreage allotments for cotton and rice, increased penalties for excess marketing of peanuts, and a two-price plan for rice for a two year period, at the discretion of the Secretary. Price supports for cottonseed and soybeans, if established, are to be at competitive levels.

Acreage Reserve For 1956 Crops

The 1956 program contains special provisions which enable farmers to participate this year. Any farmer who otherwise complies with the provisions of the Acreage Reserve will be eligible for payment if:

1. He has underplanted his Soil Bank corn base or his allotment for cotton, rice, tobacco, peanuts, or wheat (when planted to spring wheat) and he certifies that he underplanted (a) in anticipation of complying with the 1956 Acreage Reserve or (b) because of adverse weather conditions; or

2. He has underplanted his 1956 allotment for winter wheat and certifies that this was done because of adverse weather conditions; or

3. He has complied with his Soil Bank corn base or his farm allotment for a particular crop, but an acreage of the crop was not harvested because of destruction by natural causes; or

4. The farmer is in an area where an established final date set for the basic commodity for his area is subsequent to May 28 and he plows or otherwise physically incorporates the crop into the soil, or clips, mows, or cuts the crop after May 28 and prior to June 30 or the established final date, whichever is later, but not later than July 31.

Maximum and minimum acreages that a farmer may place in the acreage reserve have been established for each basic crop. Conditions for participation in the conservation reserve program have not yet been fully worked out, but the annual payments will average out nationally to about 10 dollars an acre. These will be in addition to payments covering a major part of the cost (including labor) of establishing conservation practices.

The Department of Agriculture has announced the national average rates that will be used in determining payments for 1956 crops. Producers in areas where crops are not too far advanced will be able to participate in the Acreage Reserve Program this year. Payments will be determined by multiplying the base unit rate by a yield factor. For tobacco, the yield factor for any farm may not exceed 115 percent of the national average yield.

National Average Rates for 1956 Crops

Corn <u>1</u> /	90 cents per bu.
Cotton	15 cents per lb.
Wheat <u>1</u> /	\$1.20 per bu.
Rice	\$2.25 per cwt.
Peanuts <u>2</u> /	3 cents per lb.
Tobacco <u>3</u> /	
Flue-cured and burley	18 cents per lb.

1/ Rates will vary by counties.

2/ Virginia and Valencia types excluded.

3/ Average payment rates for other eligible tobacco types range from 8 to 19 cents per pound.

The payments will be determined as follows:

For underplanting the corn base or the allotment for cotton, rice, tobacco, peanuts, or wheat (when planted to spring wheat), the payment rate will be based on the normal yield for the designated acreage.

For underplanting 1956 winter wheat, because of adverse weather, the payment will be \$4 per acre.

For destruction due to natural causes or for plowing or otherwise physically incorporating the crop into the soil, or for clipping, mowing, or cutting the crop, the payment will be based on the smaller of an appraised yield for the field or the normal yield for the farm, but will not be less than \$6 per acre.

GENERAL ECONOMIC SITUATION

Economic activity in May continued generally stable at the level of the past several months. Steel remains in relatively short supply, partly because of heavy inventory buying, and mills continued near capacity output throughout May and into June. Total industrial output eased slightly after a rise in April, with smaller auto output largely responsible. Total outlays for new construction continue high. Nonresidential building is setting new records, but housing starts have shown only seasonal changes since February.

Consumer Income and Spending

While many economic indicators have shown little or no change over the past several months, consumer income has trended upward for well over a year. In April, income payments reached a record annual rate of 317 billion dollars, on a seasonally adjusted basis. This was 2 billion dollars more than the month before and 18 billion above April 1955.

Steadily rising hourly earnings, especially in manufacturing, have been a major factor in expanding consumer income. Employment also has increased slowly thus far in 1956. Most of the increase in personal income during April was in manufacturing payrolls, but all other categories except government and service industries showed gains. Agricultural income also increased in April.

Consumer Credit Rising Slowly

Consumers expanded their instalment debt by 0.3 billion dollars to a total of 28.3 billion dollars in April. The rise was accounted for partly by a seasonal increase in automobile credit, but all other major categories

of instalment credit increased as well. Noninstalment credit, including single payment loans, charge accounts, and service credit, grew by 130 million, or 1.7 percent. The increases in both forms of consumer credit in April were larger than in March but much smaller than a year earlier. In the first quarter of 1956, consumer debt averaged 12.8 percent of disposable income -- an all time record. A year ago, the proportion was 11.4 percent, and in 1940, 10.0 percent.

Retail Sales Hold Steady

Retail sales in general have varied little since the start of 1956. A slight decline in April was largely regained in May, bringing sales to the same level as in January and 3 percent above a year earlier. The number of new cars sold in May failed to increase significantly from the April low. However, sales picked up late in the month and continued relatively strong in early June. The backlog of unsold autos was reduced somewhat in May, as output ran below the current rate of sales.

Both durable and nondurable goods contributed to the 1 percent decline in retail sales in April. Sales were down for a wide range of soft goods, but the declines were generally small. In durables, the contraction in retail volume was confined largely to dealers' sales of new automobiles, which fell 10 percent.

Investment Demand

The growth in business investment demand thus far in 1956, has been the most import factor supporting a high level of economic activity. Prospects for the remainder of 1956 and for the next few years are reported in two recent studies of businessmen's intentions to purchase plant and equipment.

The results of the first study indicate that investment outlays in the second half of 1956 will rise still further from the advanced rate of the first. From reports submitted in late April and early May, the Department of Commerce and Securities and Exchange Commission estimate that investment outlays by nonagricultural businesses will be at a seasonally adjusted annual rate of 34.8 billion dollars in the second quarter of this year and 36.7 billion in the third. If these expectations are realized, third quarter business expenditures for plant and equipment will exceed the first quarter rate by 12 percent and will run 24 percent ahead of a year earlier. In railroads and manufacturing, the increases would amount to about one-half and one-third respectively. Shortages of some materials may have limited investment outlays in the first half of this year. As a result, part of the increase planned for the third quarter reflects the failure of business to realize the full expansion planned for the first and second quarters.

Table 1.- Expenditures on new plant and equipment
by U. S. business, 1953-56

Item	:	:	:	:	1956		Percentage change 3rd quarter 1955 to 3rd quarter 1956
	:	:	:	:	:(Seasonally adjusted		
	:	:	:	:	annual rates)		
	:	1953	1954	1955	:	Apr.-: July-	
:	:	:	:	:	Jan.-: June,	Sept.,	:
:	:	:	:	:	Mar. :	esti-: esti-	:
:	:	:	:	:	:	mated: mated :	:
	Bil.	Bil.	Bil.	Bil.	Bil.	Bil.	
	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>Pct.</u>
Manufacturing	11.91	11.04	11.44	13.45	15.15	16.07	34.3
Durable goods							
industries	5.65	5.09	5.44	6.57	7.90	8.55	48.2
Non-durable goods							
industries	6.26	5.95	6.00	6.88	7.25	7.52	21.3
Mining	.99	.98	.96	1.13	1.14	1.28	29.3
Railroad	1.31	.85	.92	1.25	1.28	1.46	52.1
Transportation,							
other than rail	1.57	1.51	1.60	1.65	1.68	1.89	18.1
Public utilities	4.55	4.22	4.31	4.56	4.95	5.28	19.2
Communication, com-							
mmercial and other	8.00	8.23	9.47	10.78	10.57	10.76	10.9
Total	28.32	26.83	28.70	32.82	34.77	36.74	23.9

Large Outlays Planned For Coming Years

A similar survey by the McGraw-Hill Company presents an even more optimistic view of prospective outlays for plant and equipment during the remainder of 1956, and sees investment expenditures continuing high through 1959. Most of the large increases planned for this year are reported for manufacturing industries. For the next 2 or 3 years, the petroleum industry, electric utilities and domestic airlines have planned large outlays. The same report indicates a strong uptrend in expenditures for research and development. In 1955, about 5 billion dollars was spent on developing new products, a 29 percent increase from 1953. Business has plans for increasing these expenditures by a third by 1959.

Construction Activity Steady

Construction activity changed little in May. Expenditures increased only fractionally, as a more than seasonal rise in public works slightly

over-balanced a contraction in private construction outlays. Nonfarm residential construction was down 1 percent from April to a seasonally adjusted annual rate of 15.0 billion dollars, 9 percent below a year ago.

Housing starts in May totaled 1,110,000 on a seasonally adjusted annual rate basis--the same number as in April. This continues the stable pattern of the past six months. Prospects do not point to any sizable immediate pickup in home building activity. Applications for VA and FHA financing, which precede actual starts by several months, rose in the early part of the year, but in recent months they have held about the same or declined slightly. FHA applications were off slightly more than seasonally in May while the number of VA appraisal requests showed about a normal decline.

Inventories

Increase in April

Inventory accumulation amounted to 0.6 billion dollars during April, after seasonal adjustment, compared with a rise of 0.2 billion in March. Stocks now on hand have a book value of 85.7 billion dollars, 7 billion higher

Table 2.- Monthly changes in business inventories and ratio of inventories to sales, 1955 and 1956

Month	:	Increase in business inventories	:	ratio of inventories to sales	
				Manufacturing	Retail
		<u>Bil. dol.</u>			
1955	:				
January	:	.0		1.78	1.49
February	:	.4		1.76	1.51
March	:	.2		1.67	1.50
April	:	.2		1.67	1.49
May	:	.6		1.64	1.49
June	:	.5		1.62	1.51
July	:	.4		1.64	1.51
August	:	.4		1.63	1.48
September	:	.4		1.64	1.47
October	:	.9		1.71	1.47
November	:	.7		1.67	1.49
December	:	.5		1.68	1.51
1956	:				
January	:	.7		1.71	1.54
February	:	.8		1.72	1.58
March	:	.2		1.75	1.52
April	:	.6		1.75	1.54

than a year ago. The April build up was confined to stocks in hands of manufacturers, who added to their inventories of both durable and nondurable goods. Most of the increase came in the machinery and aircraft industries and was probably an intentional build up, as sales and orders for these goods have been rising. Wholesale and retail inventories were unchanged in April. Stock-sales ratios have risen somewhat from the lows of late 1955, but are still not exceptionally high (table 2).

Credit Developments

Decisions on outlays for investment depend in part on availability of credit. During the past year and a half, the Federal Reserve authorities have followed a policy of credit restraint. Rediscount rates on member-bank borrowings from Federal Reserve Banks were raised several times in 1955 and again on April 13, 1956. As a result, banks have found it increasingly difficult to acquire the reserves that form the basis for new loans, and interest rates have been rising. This has tended to discourage marginal uses of borrowed funds. Late in May, it appeared that the Federal Reserve Board was relaxing its restraint of credit. Federal Reserve purchases of government securities in the open market in the last week of May and in early June caused some increase in commercial bank reserves, in part to provide business with additional funds for June 15 tax payments.

Government Revenue and Expenditure

Recent trends in Federal revenue and expenditures have prompted official reviews of current-year budget prospects and of the outlook for the fiscal year starting next July 1. As of mid-May, the administration expected to end fiscal 1956 with a budget surplus of 1.8 billion dollars, instead of the 0.2 billion dollar surplus expected last January. Estimates of budget expenditures have been raised 1.6 billion dollars, from 64.3 to 65.9 billion, but receipts are now estimated at 67.7 billion dollars or 3.2 billion more than had been anticipated. Estimates made at the same time by the Congressional Joint Committee on Internal Revenue Taxation suggest a current year surplus of 2.3 billion dollars. These revisions indicate that the cash surplus--the excess of Federal receipts over Federal payments to the public--may be as large as 4 to 4½ billion dollars in fiscal 1956. Earlier estimates placed this figure at about 2.4 billion dollars.

For fiscal year 1957, the Joint Committee estimates that the surplus also will be larger than had been predicted earlier. The surplus of 0.4 billion dollars provided in the budget submitted to Congress last January is now expected to total closer to 2.2 billion.

In contrast to the surplus appearing in Federal receipts and expenditures there is a growing deficit of State and local units. Revenues are increasing, but not as rapidly as outlays for roads, schools, and other public facilities are expanding. During calendar year 1955, cash payments of State

and local governments totaled 28 billion dollars, about $1\frac{1}{2}$ billion more than receipts. Since the start of 1956 this deficit has increased, so that at the present time State and local governments are probably going into debt at an annual rate of around 2 billion dollars.

Industrial Output and Employment

Industrial Production

Off Slightly

Output of the nation's factories and mines has remained virtually unchanged over the past several months. In April, the Federal Reserve Board's index of industrial production showed a gain of 2 points to 143 percent of the 1947-49 average, the same level as in January and February. In May the index dropped back a point to 142. The decline occurred mainly in output of durable manufactures. Steel production was down between 3 and 4 percent, and auto output about 20 percent. Output in most other durable goods industries held steady or increased slightly during May. Production of nondurables and minerals was unchanged, after seasonal adjustment, at levels within about 1 percent of the record levels prevailing earlier in the year.

Auto Output

Cut in May

For the automotive industry, May was another slow month. Despite earlier reductions in output, inventories on hand on May 1 still numbered in excess of 900,000 units. As sales in May failed to show any sizable pickup, output was cut drastically to a total for the month of 465,000 autos, a fourth less than January. Most assembly plants are now reported to be operating only four days a week. A total of 210,000 workers had been laid off by June 2--many more than had been anticipated earlier in the year. Preliminary production schedules call for another 5 percent cut in auto output in June.

Steel production, in contrast, continues high. In recent weeks, output has averaged about 97 percent of capacity. Most of the idle capacity is apparently in the South, where a railroad work stoppage has occurred.

Prospects for third-quarter activity in the steel industry, as indeed in other sectors of the economy, depend heavily on whether a work stoppage occurs in steel after June 30 and on its duration. Even if work continues without interruption, however, the rate of operation is likely to decline. New orders for third quarter delivery have slackened in recent weeks, and some orders now on the books may be cancelled if a prompt contract settlement is reached. Moreover, most plants are in need of repairs that have been put off, in some instances for as long as a year.

If a work stoppage occurs, the effect would probably be felt promptly in certain steel using industries. Inventories of steel in the hands of the oil industry, railroads, and freight car builders are reportedly very low. The construction industry also has only a small supply of structural steel. Other users, such as producers of automobiles and farm equipment, the canning industry, and manufacturers of electrical appliances are said to have sufficient stocks to permit continued normal operation unless steel output should be cut off for a prolonged period.

Manufacturers' sales and New Orders Rise

Manufacturers' sales advanced 0.2 billion dollars in April on a seasonally adjusted basis to an annual rate of 27.3 billion dollars. The gain came in shipments by producers of durable goods, particularly electrical machinery. Except for automobiles, most other major industries shipped about as much manufactures in April as in March. New orders also came in more rapidly in April. Orders for nondurables were up 1 percent over March, and for durables 3 percent. Fabricated metal products and machinery experienced substantial gains in new business. Unfilled orders in April were unchanged. The backlog increased slightly in durable goods industries, but unfilled orders for non-durables were reduced.

Employment and Unemployment Both Up in May

The number of civilians holding jobs increased by about 1.2 million in May to a total of more than 65 million. Both agricultural and nonagricultural employment rose more than usual. Sharp gains in construction and agriculture offset a decline in factory employment. The increase in employment, however, was not sufficient to absorb quite all of the 1.3 million persons who entered the labor force during the month. Consequently, unemployment showed a slight increase to a level of about 2.6 million instead of the usual seasonal decline at this time of the year. The length of the workweek declined during May in both manufacturing and nonmanufacturing industries. The average workweek in all manufacturing was down to 40 hours from 40.3 hours in April.

Farm employment, as estimated by the Agricultural Marketing Service, rose more than seasonally during May from 7.7 to 8.7 million. Family labor increased about seasonally from 6.2 to 6.7 million while the number of hired workers rose somewhat more than seasonally from 1.5 to 2 million.

Commodity Prices

The index of wholesale prices in April rose 0.8 percent above March to 113.7 (1947-49=100). This was 3 percent above a year ago. Weekly indexes suggest that wholesale prices continued to rise throughout May and in early June. Farm products are now providing the major impetus to the upward

movement in the wholesale price index. Price movements on primary markets have been mixed; of the 15 major groups comprising the wholesale price index, 6 rose during May, 6 were lower, and 3 were unchanged. The index of meat prices has risen substantially in recent weeks, reflecting the improvement in livestock prices.

The cost of living continues to creep upward but at a much slower pace than the rise in wholesale prices. The consumer price index for urban families in April stood at 114.9 (1947-49=100), up fractionally from March and virtually the same as a year earlier. An increase in retail food prices was largely responsible for the small rise in the index in April; most of the rise was in the red meats and fruits and vegetables groups.

Farm Prices Rise Further;
Parity Ratio Also Up

The index of prices received by farmers increased 3 percent from mid-April to mid-May. It now stands at 242 (1910-14=100), 9 percent higher than the low point of last December and back up to the level of a year ago. The advance has been fairly general over a wide range of commodities. The increases are in part seasonal, in part a reflection of stronger foreign demand, and, in the case of some price supported commodities, a result of smaller supplies outside of CCC holdings.

Table 3.- Farm prices for selected months, 1955
and 1956 with percentage comparison

(1910-14=100)						
Items	May 1955	December 1955	March 1956	April 1956	May 1956	Percentage change May 1955 to May 1956 Percent
Prices received by farmers, all farm products	242	222	228	235	242	0
Livestock and products	235	219	221	227	233	-.9
All crops	249	226	236	245	252	1.2
Prices paid by farmers, commodi- ties, interest, taxes, and wage rates	282	278	282	284	286	1.4
Parity ratio	86	80	81	83	85	-1.2

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The index of meat animal prices has risen nearly 25 percent during the past 5 months. A steady decline in hog marketings from the winter peak has been responsible for most of the advance. Marketings of fed cattle, already large, did not increase as usual throughout the spring months.

Dairy, and poultry and egg products declined 7 and 13 percent, from December. These declines were seasonal, through dairy products dropped much less than the usual seasonal amount.

Light supplies of corn outside of CCC stocks have bolstered prices of feed grains in recent months; mid-May prices were 16.5 percent above December but still about 3 percent below a year earlier. Announced higher supports for corn and other feeds probably had some price strengthening effect in recent weeks. The food grains have also risen slightly in the past few months, due to small supplies in the commercial market.

Strong foreign demand has been largely responsible for an advance of 14 percent in the oilseeds price index since December. The index is now about 2 percent above a year ago. Soybean prices, which have accounted for most of the increase, appeared to be tapering off in recent weeks.

Prices paid by farmers for commodities, interest, taxes, and wage rates (the parity index) rose a little less than 1 percent from April to May. A general rise in prices paid for family living items was primarily responsible for the small increase; prices paid for production goods also advanced slightly. Products of agricultural origin--food and feed--rose the most. Since the index of prices received advanced substantially more than the parity index, the parity ratio rose from 83 in April to 85 in May. This was the largest month to month advance since September 1953; the ratio was still about 1 percent below May 1955.

Central Market Prices Show Some Declines

During late May and early June, prices of farm products on central markets generally showed declines from their gains in previous weeks. Wheat, No. 2, Hard Winter at Kansas City dropped about 5 percent from mid-May to early June. Rye, oats, and barley also declined on major central markets. These movements were all primarily seasonal. Corn, however, remained strong --up 5 percent from mid-May to early June. Flaxseed, No. 1, at Minneapolis fell 13 percent over the same period, largely due to increasing foreign supply prospects.

Cattle and hog prices continued upward. Slaughter steers (all grades) at Chicago rose about 5 percent and barrows and gilts, also at Chicago, were up 3 percent. North Georgia broilers declined about 11 percent and Midwestern eggs were down fractionally.

AGRICULTURAL EXPORTS

A sizeable spurt in exports during March, April and May indicates that total exports for the 1955-56 fiscal year will be higher than expected earlier. Shipments of rice and wheat to the Far East and Near East under export programs have been heavy during the past few months. Such exports occurred simultaneously with purchases by countries ordinarily supplied by European producers, whose crops were damaged by the severe winter. Furthermore, CCC cotton sold for export in January and February began to move out in quantity in March. Foreign demand for tobacco, fats and oils and feed grains is continuing strong, as it has been throughout the year.

Through April of this fiscal year, the value of exports was 5 percent above the same period of 1954-55. Cotton exports were about half those of a year earlier while exports of all other commodities totaled 22 percent higher. Exports for the entire 1955-56 year are expected to total more than 3.4 billion dollars, 9 percent above the 3.1 billion in 1954-55. The increase in quantity will be even greater since prices for many commodities have declined, partly as the result of CCC efforts to meet foreign competition.

Table 5.- Estimated agricultural exports, fiscal year 1955-56

Commodity	Unit	Quantity	Value	:Change from 1954-55	
				Quantity	Value
		Mil.	Mil. dol.	Pct.	Pct.
Cotton	: Bale	: 2.1	350	-45	-49
Tobacco	: Lb.	: 560	370	22	21
Wheat and flour	: Bu.	: 330	575	20	18
Feed grains and products	: Ton	: 8.3	400	84	59
Rice, milled	: Cwt.	: 11.2	85	27	23
Lard and tallow	: Lb.	: 2,025	200	26	19
Other livestock products	: ---	: ---	350	---	19
Soybeans	: Bu.	: 70	180	37	24
Cottonseed oil and soybean oil	: Lb.	: 1,000	155	52	94
Fruits and vegetables	: ---	: ---	320	---	17
Private relief <u>1/</u>	: ---	: ---	160	---	13
Total including other	: ---	: ---	3,430	13	9

1/ Mostly donations from CCC stocks to private welfare agencies and international organizations for distribution abroad.

Approximately 30 percent of all 1955-56 exports through March were sold, donated and bartered under PL 480. Exports under PL 480 programs accounted for over half of total exports of wheat, corn and vegetable oils, and over one-third of total shipments of cotton, rice, barley and grain sorghums. Barter shipments alone accounted for 45 percent of all coarse grain exports during this period. Donations of dairy products under Title III considerably exceeded commercial exports. Sales for foreign currencies under Title I of PL 480 were the most important factor in most of the other exports under the Act. It is estimated that Title I exports, through April 30, had an export market value of 350 million dollars. These exports are considered to be additional to the usual marketings of the United States. About 50 percent of Title I exports were from CCC inventories, and represented a CCC investment of about 280 million dollars. Exports under the Mutual Security Act programs and Export-Import Bank loans account for an additional 10 percent of total export value.

Table 6.- Importance of PL 480 programs in export movements of certain commodities fiscal year 1955-56 (July-March)

Commodity	Unit	PL 480 programs 1/				Total exports	Percent PL 480
		Title I	Title II	Barter	Total		
	: Million:						
Wheat and flour	: Bu.	: 62	: 10	: 39	: 111	: 211	: 53
Corn	: Bu.	: 9	: 1	: 49	: 59	: 89	: 66
Barley	: Bu.	: 7	: ---	: 23	: 30	: 66	: 45
Grain sorghum	: Cwt.	: 2	: ---	: 17	: 19	: 59	: 32
Rice, milled	: Cwt.	: 2.2	: 1.2	: .1	: 3.5	: 8.6	: 41
Cottonseed oil and	:	:	:	:	:	:	:
Soybean oil	: Lb.	: 327	: 27	: 15	: 369	: 731	: 50
Cotton	: Bales	: 378	: 26	: 51	: 455	: 1,233	: 37

1/ Excluding Section 416 donations under Title III of PL 480.

FARM INCOME

Cash receipts in May totaled approximately 2.0 billion dollars, up slightly from April and about the same as in May a year ago. Receipts from livestock and products were about 1.4 billion dollars, a little above April because of higher prices for cattle and hogs, and nearly the same as in May 1955. Crop receipts were about 0.6 billion dollars, up slightly from April, reflecting higher prices, and about the same as a year ago.

Farmers' cash receipts from marketings in the first 5 months of 1956 were about 10 billion dollars, slightly below the corresponding period of 1955. Prices averaged lower, but the volume of marketings was up a little.

LIVESTOCK AND MEAT

Changes in meat animal marketings and prices during the summer months will be largely seasonal. Lighter supplies of fed cattle and of barrows and gilts will likely sell at higher prices than in past months. Cattle, calves and sheep and lambs off grass will make up an increasing part of total marketings and their prices will likely decline seasonally. Price spreads between grades will widen. Total meat production will probably continue above a year earlier but by much less than the 11 percent registered the first 4 months this year.

Cattle slaughter so far this year has been about 6 percent greater than the corresponding months of 1955, due mainly to large supplies of fed cattle. Marketings of fed cattle this summer are expected to decline to a level below that of a year-earlier. Marketings of grass cattle are expected to be larger and prices may continue below a year earlier for at least a few months. The extent and timing of movements in supply and price will depend in large part on the condition of summer pastures. Rainfall in late May temporarily relieved critically dry conditions in the central and southern Great Plains and in many of the South Atlantic States. However, unless pasture conditions improve considerably over much of the central and southern parts of the country, marketing of cattle and calves from these areas will be very large this summer.

In 1955 hog slaughter reached a low point and prices their seasonal high at midyear. This general pattern will be repeated this year, though the exact time of the price peak is uncertain. By mid-to late summer, slaughter may be down to that of a year earlier, and prices may be up to last year's prices.

During May, reduced supplies and a relatively high proportion of spring lambs brought sharply higher average lamb prices. Seasonal price declines are in prospect this summer and fall as marketings of sheep and lambs off grass expand and make up a larger part of supplies.

DAIRY PRODUCTS

Production of milk in May was restricted by retarded pastures. The 13.0 billion pounds produced was only 1 percent over a year earlier compared with a gain of 5 percent for the four preceeding months. In early June, production increased as pastures improved in many sections. Output for the year will be around 127 billion pounds compared with 123.5 billion, the previous record set in 1955.

Fluid milk consumption in Federal order markets has continued to show a significant increase over a year earlier. Consumption of cream and cream mixtures also has increased in recent months after several years of declines. Consumption of skimmed milk items continues to show a sizable increase. As a result of increased fluid use, the amount of milk manufactured has been below a year earlier in the last several weeks. About the same amount of butter, more cheese, and less nonfat dry milk were purchased by CCC in May and early June than a year earlier.

Prices of manufactured dairy products were increased soon after price supports were raised but have been steady since. Prices to farmers for all milk sold to plants and dealers in May were up by 24 cents per hundredweight over a year earlier, or about 6.6 percent. This reflects the increase in prices for fluid uses in a number of markets as well as the higher support level for manufacturing milk. The butterfat price also was up 3 percent from a year earlier. Cash receipts from the sale of dairy products have been showing a sizable increase over early 1955. For 1956 as a whole, cash receipts from dairy products will approach the record of 4.6 billion dollars reached in 1952.

The increase in prices for feed concentrates has led to less favorable milk-feed price relationships than in the last quarter of 1955 and the first quarter of 1956. Milk also has become a little less favorable relative to hogs. But the relationships continue above average for dairymen. With firm prices for milk in prospect, conditions generally favor continued large production of milk.

POULTRY AND EGGS

Egg prices in early June were at about the lowest 1956 levels to that date, following a price decline that began about the second week in May. However, most egg prices continued above corresponding 1955 prices. The prospect is for prices to rise seasonally and to remain above last year until late summer or early fall.

The mid-May U. S. average price received by farmers was 37.5 cents per dozen, down a cent from the month before but well above the 33.8 cents of a year earlier.

To early June, no sustained periods of hot weather had occurred in the Midwest or Northeast. The mild temperatures sustained both egg production and quality in May and early June, thereby contributing to the price weakness for top quality eggs.

Broiler prices to farmers averaged 21.1 cents per pound (live) in mid-May, compared with an average of 21.0 cents for the preceding 4 months, and 27 cents in mid-May 1955. Slaughter in April and May was well above the same months of 1955, holding prices below a year ago.

Weekly broiler chick placements in early June were higher than those which provided slaughter supplies in April and May. However, strengthening seasonal demand for broilers and firmer prices for red meats may offset the price effects of larger supplies.

The seasonally small marketings of heavy-breed turkeys, including breeders, from early 1956 to early June sold at higher prices than young turkeys last fall and winter. This is partly a result of the small storage holdings of turkey--40 million pounds on June 1, the smallest for the date since 1949. The number of turkeys now growing for slaughter later this year is a record.

OILSEEDS, FATS AND OILS

Flaxseed prices broke about 50 cents per bushel, 12 percent, from mid-May to mid-June and in mid-month probably were slightly above the 1956 crop support level. Canadian prices for flaxseed also have declined sharply. The strength in 1955 crop flaxseed prices until May was due to strong world demand and short supplies. Present prospects indicate a large increase in exportable world supplies mostly from Argentina and Canada in 1956-57. The 1956-57 marketing year for flaxseed begins July 1 though some new crop seed started to become available in late May in Texas and California.

Relatively little 1955 crop flaxseed is likely to be delivered to CCC now that the maturity date, April 30, is past. Incomplete reports indicate that almost all of the 7.1 million bushels placed under loan have been redeemed. Farmers also put 1.5 million bushels under purchase agreements but data on deliveries to CCC are not yet available.

Movements in linseed oil prices have paralleled those for flaxseed. Prices declined from 16.0 cents per pound (raw tank cars, Minneapolis) in May to 14.0 cents in mid-June.

Soybean prices have fluctuated over a fairly wide range since the beginning of May primarily as a reaction to similar movements in prices of the edible oils. In mid-June, soybean prices were moderately less than a month earlier but about 25 percent above last year. Soybean oil prices are up over 5 percent and soybean meal prices about 20 percent from mid-June 1955.

Few 1955 crop soybeans probably will be taken over by the Government as prices are well above the support level. As of May 15, only 5 million bushels of the 27.5 million put under loan had not yet been redeemed. May 31 was the last date for redemptions.

The USDA announced on June 8 that payments to established peanut producers who participate in the Acreage Reserve Program will be determined by multiplying a base rate of 3 cents per pound by the yield established for the farm, and the number of acres placed in the reserve. However, producers of

Virginia and Valencia type peanuts will not be eligible to participate in the 1956 crop program since their acreage allotments for this crop were increased because of a short supply.

FEED

Prices of corn and barley and most of the high protein feeds were generally steady during May and early June, and are a little higher than a year ago. Market prices of oats have also been about steady but are lower than a year ago. Wheat mill feeds, on the other hand, have declined in recent weeks. Small market changes were partly seasonal and partly influenced by weather. With the higher 1956 supports, declines in prices of oats and barley this summer are expected to be much less than last year. In May, prices received by farmers for feed grains averaged 3 percent lower than in that month last year, but wholesale prices of high protein feeds were 2 percent higher.

On May 31 the Secretary of Agriculture announced the conditions of eligibility for 1956 corn price support loans and rates for determining corn payments under the Soil Bank program. Farmers in the commercial area may become eligible for the maximum national average price support of \$1.50 per bushel by either planting within their 1956 acreage allotments or complying with the Soil Bank requirements. Under the Soil Bank a farmer is required to plant within his Soil Bank base acreage (averaging about 18 percent above his corn acreage allotment) and to put an acreage equal to 15 percent of his Soil Bank base acreage for corn into either the corn Acreage Reserve or the Conservation Reserve. The payments which farmers can earn for participating in the corn Acreage Reserve will be based on a national average rate of 90 cents per bushel and the applicable yield factor.

Non-complying farmers in the commercial area will be eligible for a support price based on the national average rate of \$1.25 per bushel, as previously announced. Price supports for all counties in the non-commercial corn area were announced at $82\frac{1}{2}$ percent of the commercial area maximum rate, as determined with the usual county differentials. National average price supports for 1956 crops of other feed grains were increased in the Agricultural Act of 1956 to 76 percent of the May 1 parity prices, which would be as follows: oats, 65 cents per bushel; barley, \$1.02 per bushel; and sorghum grain, \$1.97 per 100 pounds.

Prospects for 1956 feed crops have improved since May 1, but in early June they were still less promising than at that time last year. Pastures and hay crops were much below average on June 1, although they have made some improvement from the low May 1 condition. Corn planting was generally completed on June 1 in most of the Corn Belt States, but cool weather delayed planting and early growth from Ohio and Michigan eastward to the Atlantic. Other feed grains have made generally good progress, except in the dry areas

of the Midwest and Southwest. A record carryover of about 43 million tons of feed grains is in prospect for 1956-57, a 10 percent increase over last year. With a near average growing season, this would mean another big supply of feed grains for the 1956-57 feeding year.

WHEAT

The United States 1956 wheat crop is now estimated at 923 million bushels, 2 percent below the 1955 crop of 938 million bushels. The winter wheat crop was forecast at 670.4 million bushels as of June 1 and the spring crop at 252.3 million bushels. The indicated total crop is almost the same as the prospective domestic use plus likely exports during the next 12 months. As a result, the carryover on July 1, 1957 is not expected to be greatly different from that on July 1 this year.

Heavy exports from the United States in May and June brought the total for the 1955-56 marketing year to an estimated 330 million bushels. Domestic disappearance is estimated at about 610 million bushels. With total supplies for the 1955-56 marketing year of 1,967 million bushels (July 1, 1955 carryover of 1,022 million, production 938 million and imports 7 million), a carryover on July 1, 1956 of about 1,030 million bushels is indicated. The official estimate of the stocks of old crop wheat will be released July 23. The bulk of the carryover will be held by the CCC.

Cash wheat prices have been adjusting downward seasonally and on June 18 were below prices in mid-May as follows: Kansas City and St. Louis down 21 and 16 cents, respectively, and at Minneapolis down about 6 cents.

Requirements for participation in the 1956 Acreage Reserve Program under the new legislation were announced by the Secretary of Agriculture on June 8. Under the 1956 Acreage Reserve, farmers who are eligible to take part in the program may earn payments by reducing their wheat acreage. Under the basic rules of eligibility, acreage designated for the Acreage Reserve must: (1) Be representative of the land used for the crop, (2) result in the harvesting of an acreage of the basic crop less than the farm allotment, and (3) not be grazed, cut for hay, or cropped for the entire 1956 calendar year. Noxious weeds must also be controlled on this "reserved" acreage. In order to participate in the Acreage Reserve, a farmer must comply with all acreage allotments, or corn base, established for the farm; also, for this year he must comply with special provisions which apply to 1956. The program this year is designed to meet time limitations and the requirements of the legislation for 1956. The rates set are for the 1956 program only. Before fall seeding of wheat this year there will be an opportunity to plan and develop a more comprehensive program.

On May 31 the Secretary of Agriculture announced the national average base unit rate for wheat of \$1.20 per bushel, which will be used in determining payments to wheat farmers who participate in the 1956-crop Soil Bank program. Farmers must first enter into agreements with their local county Agricultural Stabilization and Conservation (ASC) Committees. The basis of payment which individual spring wheat farmers can earn for participation in the Acreage Reserve will be determined by multiplying the normal yield of the farm by the applicable base unit rate, which will be 60 percent of the county loan rate.

For underplanting 1956 winter wheat, because of adverse weather, the payment will be \$4 per acre. For destruction due to natural causes or for plowing or otherwise physically incorporating the crop into the soil, or for clipping, mowing, or cutting the crop, the payment will be based on the smaller of an appraised yield for the field or the normal yield for the farm, but will not be less than \$6 per acre.

The maximum acreage of wheat which may be placed in the Acreage Reserve is the larger of half the wheat allotment or 50 acres. The minimum is the larger of 10 percent of the allotment or 5 acres. Where the allotment is less than the specified acreage minimum or maximum, the total allotment shall be considered as the minimum or the maximum.

Regulations for the Conservation Reserve, the other part of the Soil Bank provisions, will be announced later. Under this part of the program, a farmer will be able to earn two types of payment--an annual payment to help compensate for income which he would have received if the "reserved" land had been in a crop, and a payment representing a percentage of the cost of establishing conservation practices on such land. The same acreage on a farm may not be included under both the Acreage Reserve and the Conservation Reserve parts of the Soil Bank.

FRUIT

Supplies of such early-season deciduous fruits as peaches, plums, and California sweet cherries are expected to be larger in late June and in July than a year earlier. Grower prices for peaches are likely to average below the unusually high prices of 1955. But supplies of apricots are expected to be lighter and prices probably will be higher. For supplies of fresh deciduous fruits from mid-summer on, the outlook is still uncertain.

The 1956 fruit crops in the Pacific Northwest have been cut, some severely, by a freeze last November. In the northeastern States, freezes in May caused some damage to fruit. However, the outlook for fruit for canning, freezing, and drying, especially in California, is good. In this State, the prospective crop of Bartlett pears, the principal variety that is canned, is moderately larger than in 1955; the clingstone peach crop is up slightly; the strawberry crop, much of which is usually made into frozen strawberries, is 55 percent larger than in 1955; and a much heavier crop of dried prunes is in prospect.

Remaining supplies of California Valencia oranges for marketing this summer and early fall are moderately smaller than a year ago. As a result of loss of the Spanish orange crop because of a freeze last February, export demand for United States oranges has been strong this spring. Remaining supplies of lemons are somewhat smaller than a year ago.

Output of Florida frozen orange concentrate by June 2 of the 1955-56 season was 63.4 million gallons, 3 percent larger than a year earlier. On June 1 cold storage stocks of frozen orange juice, mostly concentrate, were about $\frac{1}{2}$ million gallons larger than on that date in 1955. Stocks of canned orange and grapefruit juice in the hands of Florida canners were lighter. On April 1, 1956, packers' stocks of 10 items of canned fruit from the record 1955 pack were 12 percent larger than a year earlier. Since then, movement is indicated to have continued good, and carryover stocks of most items into the 1956 season probably will be down to a manageable level.

COMMERCIAL VEGETABLES

For Fresh Market

Based on crop conditions in early June total commercial production of vegetables for fresh market sale in early summer, excluding melons, is expected to be about the same this year as last and about 3 percent above the 1949-54 average. Among these early-summer vegetables, prospects point to substantially larger crops of celery and tomatoes and to a slightly larger tonnage of cucumbers. On the other hand, indications are that production of snap beans, cabbage, carrots, sweet corn, onions and green peppers is likely to be materially smaller than a year earlier. Demand for fresh vegetables during the next few weeks probably will continue relatively strong. Although average prices will be declining with seasonally increasing production, if output is no larger than presently anticipated, prices received by farmers for early-summer vegetables are expected to average at least as high as those of a year earlier.

Production of early-summer cantaloups and honey dews is likely to be down about 11 percent while production of mid-summer cantaloups is expected to be about 15 percent smaller than that of last year. Indications are that production of early-summer watermelons will be about 5 percent smaller than in 1955.

Production estimates are not yet available for late summer vegetables, but indications are that acreages of cabbage, carrots and onions will be a little larger than a year earlier while the acreage of watermelons will be slightly smaller. Assuming near average yields and abandonment, on the indicated acreage, production of late summer carrots and onions would be moderately larger than a year ago and cabbage and watermelons about the same.

Total summer production estimates are currently available for only two crops. The summer production of lettuce promises to be about the same as a year ago, but well above the 1949-54 average, while the production of beets is expected to be moderately smaller than in 1955 and well below average.

For Commercial Processing

The total output of vegetables for processing this year is expected to be larger than in 1955. Reports as of June 1 indicate that planting of 9 vegetables for commercial processing is likely to be up about 9 percent from a year earlier with increased acreage indicated for each of the vegetables except cucumbers, for which a 4 percent reduction is in prospect, and winter and spring spinach, for which a slightly smaller acreage is reported. However, bad weather, has interfered with planting and has delayed crop development in some import areas, so that aggregate tonnage may not be up as much as presently indicated acreage.

No separate estimates are made of asparagus for processing and of open market purchases of cabbage for kraut until the end of the season.

POTATOES AND SWEETPOTATOES

During May and early June relatively light shipments of old crop potatoes resulted in a heavy demand for new crop supplies and in generally higher prices than those of a year earlier. Production of late spring potatoes is estimated at 39.3 million bushels, moderately smaller than last year; harvest of this crop is well along. Cool or cold weather delayed the early California crop from meeting State marketing order maturity regulations as early as had been anticipated. Prospects are for a materially smaller production in the summer commercial States than last year. Unless early season shipments from the late States are considerably heavier than in 1955, fewer potatoes are expected to be available for market during the next two months and prices are likely to average substantially higher than a year earlier.

In each month from the beginning of the marketing season through mid-May, prices received by farmers for sweetpotatoes have been much lower than a year earlier. However, if farmers carry out March 1 intentions to plant an 11 percent smaller acreage and if yields should be near the 1950-54 average, production of 1956 crop sweetpotatoes would be about one-fifth smaller than that of 1955. A crop no larger than this would probably find a more receptive market than the 1955 crop and prices from mid-summer forward are likely to average well above the low levels of a year earlier.

COTTON

Average prices for middling 15/16 inch cotton at the 14 spot markets have fluctuated around 35.50 cents per pound the past few-weeks. This compares with an average of 33.73 cents per pound in May 1955. The higher price

reflects limited free supplies of cotton, as CCC stocks (owned and held as collateral against outstanding loans) accumulated. On May 25 these stocks amounted to about 12.9 million bales, compared with about 8.4 million bales approximately a year earlier.

The Commodity Credit Corporation has sold about 1,830,000 bales at reduced prices for export after July 31, 1956. Sales through May 8 were made at prices ranging upward from 27.50 cents per pound for middling 15/16 inch cotton at average location. Sales since June 12 (after the new legislation was passed) were made at prices ranging upward from 25 cents per pound.

Section 203 of the Agricultural Act of 1956 states that the CCC shall offer "to sell cotton for export for the cotton marketing year beginning August 1, 1956, at prices not in excess of the minimum prices at which cottons of comparable qualities were sold under the export program announced by the U. S. Department of Agriculture on August 12, 1955." Under the latter program a million bales of 15/16 inch and shorter cotton was sold by CCC. The middling 15/16 inch cotton sold for about 25.50 cents per pound at port, which is probably equivalent to about 25.00 cents per pound at average location. After the passage of the Agricultural Act of 1956, sales by CCC for export were temporarily halted until Section 203 of that Act could be analyzed.

Exports of cotton from August 1, 1955 through April 1956 were about 1,498,000 bales. This compares with about 2,876,000 bales in the same period a year earlier. The 362,000 bales exported during March exceeded any preceding month of the 1955-56 marketing year, and were about 123,000 bales larger than a year earlier.

Cotton consumed by domestic mills is running at an annual rate of about 9.2 million bales for the 1955-56 season. The average daily rate of consumption during May of 35.7 thousand bales was down about seasonally from the rate for April. However, the ratio of stocks to unfilled orders for broad woven goods at cotton mills has increased over the past two months. This probably indicates some decline in the rate of cotton consumption during the third quarter of 1956.

Under the acreage reserve program for 1956, cotton farmers who participate will be paid 15 cents per pound multiplied by the normal yield per acre for the farm for the number of acres by which the farmer's acreage allotment exceeds the acreage planted to cotton. The maximum acreage which may be placed in the acreage reserve for each farm is the larger of half of the acreage allotment or 10 acres. The minimum acreage which may be placed in the acreage reserve is the larger of 10 percent of the allotment or 2 acres. However, actual allotments of less than these minimum or maximum will be considered the minimum or maximum.

WOOL

Prices of most wools at the Australian auctions early in June were up slightly from a month earlier. Advances since late March ranged from 10 to 15 percent. Compared with a year earlier prices of fine wools were about the same as or a little higher while prices of crossbreds were a little lower. Boston quotations for some domestic descriptions advanced a little during the last two months, but most remained unchanged. The mid-month average of prices received by domestic growers for shorn wool rose about 3 percent between mid-March and mid-May. In general, quotations for both domestic and imported descriptions in U. S. markets were below a year earlier.

Consumption of wool in 11 of the major consuming countries during the first quarter of this year is estimated to have been about 10 percent above a year earlier. Use of other materials by the wool textile industries of these countries was up 7 percent from a year earlier. Changes from a year earlier in the rate of wool use ranged from a decline of 6 percent in Belgium to an increase of 28 percent in Japan. Consumption in the United States was up 16 percent, with use of apparel wool up 12 percent and of carpet wool up 23 percent. The April rate of mill use in the United States was 13 percent above a year earlier with use of apparel wool up 10 percent and of carpet wool up 19 percent.

United States imports of wool for consumption early this year have reflected the higher rate of mill use. Imports of dutiable wool for consumption during the first quarter were 18 percent above a year earlier and those of duty-free wool were up 61 percent.

CCC sold nearly the full monthly quota of $6\frac{1}{4}$ million pounds, actual weight, during May. Total sales under the program through May totaled almost 35 million pounds, nearly one-fourth of the quantity on hand when the competitive bid sales program went into effect.

TOBACCO

The domestic consumption of the cigarette tobacco types--flue-cured, burley, and Maryland--in the current marketing year seems likely to be but little different from that in 1954-55. However, the 1955-56 exports of flue-cured, the predominant export tobacco, are estimated at over one-fifth larger than a year earlier. Exports of Maryland tobacco made a significant gain during the first half of the current marketing year. Exports of burley are likely to be smaller than in 1954-55.

Georgia-Florida auctions for flue-cured tobacco usually open in the latter half of July. March 1 grower intentions indicate that this year's acreage of flue-cured is probably 11 percent lower than last year and the smallest since 1943. However, the carryover on July 1, reflecting last year's record crop, will be about 10 percent above last July 1. Government price support for the 1956 flue-cured crop has been announced at a minimum of 48.2 cents per pound. The support price will be increased if 90 percent of the July 1 parity for flue-cured is more than 48.2 cents per pound.

Marketings of 1955 crop Maryland tobacco, mostly at auctions but also at the Baltimore hogshead market, totaled 15.4 million pounds for the season through mid-June. This was equivalent to about 43 percent of the 1955 crop. Auction prices averaged 53.7 cents--well above the average for the comparable period of last season.

Cigarette output for the year ending June 30, is estimated at 416 billion--2 percent above 1954-55 but 4.7 percent below the 1952-53 peak. Domestic cigarette consumption increased about 3 percent over the previous year, but this was partly offset by the smaller output for export and the armed services overseas. Output of smoking tobacco and chewing tobacco are estimated at about 76 and 77 million pounds, respectively--down approximately 10 and 5 percent from 1954-55. Cigar consumption in the year ending June 30 is estimated at 6.1 billion--about 2 percent higher than in 1954-55. The output of snuff tobacco in 1955-56 will probably total nearly the same as the 39 million pounds of last year.

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